

UNITED STATES COURTS
SOUTHERN DISTRICT OF TEXAS
ENTERED

APR 09 2001

MICHAEL H. MALDY, CLERK OF COURT

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

IN RE:

TRI-UNION DEVELOPMENT
CORPORATION

Tax I.D. No. 76-0503660

DEBTOR.

§
§
§
§
§
§
§

CASE NO. 00-32498-H4-11
(CHAPTER 11)

**ORDER APPROVING RETENTION OF JEFFERIES & COMPANY,
INC., AS FINANCIAL ADVISOR AND PLACEMENT AGENT,
AND GRANTING AUTHORITY TO PAY COST DEPOSIT**

Came on for hearing on March 26, 2001, after due notice, the Emergency Application to Employ Jefferies & Company, Inc. as Financial Advisor and Placement Agent and Request for Authority to Pay Cost Deposit (the "Application") filed by Tri-Union Development Corporation (the "Debtor"), seeking authority to retain Jefferies & Company, Inc. ("Jefferies") pursuant to Bankruptcy Code §§ 327 and 328(a); and the Court having considered the Application, the Joint Objection filed by Credit Lyonnais New York Branch and the Creditors' Committee, the testimony of the witnesses, the exhibit introduced into evidence, the arguments by counsel for the parties in interest appearing at the hearing, and, pursuant to the Court's request, the representation by the Debtor and Tribo Petroleum Corporation that (1) the Debtor is seeking to execute contracts with certain purchasers who have demonstrated the ability to fund the purchase price for the sale of certain properties through the Randall & Dewey marketing process on favorable terms that, if closed, would

789

facilitate funding of a plan of reorganization, but that the Debtor does not intend to and will not allow the negotiations for such sales to continue for an excessive period of time such that it would interfere with the timing of the transaction for which Jefferies is being retained to facilitate (which representation the Court neither approves nor disapproves); and (2) such transaction, either with or without a sale(s) described in (1) above, is and will continue to be the primary source of funding for an amended plan of reorganization to be proposed by the Debtor to the exclusion of all other sources of exit financing until it becomes evident that such a transaction cannot be successfully consummated; and based upon the foregoing, the Court finds that Jefferies, its employees and associates, do not hold or represent an interest adverse to the estate in matters upon which Jefferies is to be employed, that Jefferies is a "disinterested person" pursuant to Bankruptcy Code § 101(14), and that the Application should be granted; it is therefore,

ORDERED that the Application to employ Jefferies as financial advisor and placement agent for the Debtor on the terms and conditions forth in the Engagement Letter attached hereto as Exhibit A is GRANTED and that Jefferies' employment by the Debtor is hereby approved; and its further


ORDERED that the compensation to be paid to Jefferies for professional services rendered and reimbursement to Jefferies for disbursements incurred in connection with its services rendered shall be paid in accordance with the Engagement Letter and Bankruptcy Code § 328(a), and accordingly, all amounts payable to Jefferies or its counsel under the Engagement Letter shall be paid ~~without the need for an~~ *in the ordinary course of business subject only to a final* application for compensation or reimbursement of expenses in accordance with Bankruptcy Code § 330; and it is further

ORDERED that the Debtor is authorized to fund the cost deposit in the amount of \$100,000 for the payment of Jefferies' disbursements and out-of-pocket expenses in connection with its services to the estate (including, without limitation, the fees and disbursements of Jefferies' legal counsel (Vinson & Elkins L.L.P.), travel and lodging expenses, word processing charges, messenger and duplicating services, facsimile expenses and other customary expenses), with such cost deposit to be replenished in accordance with *again, subject only to a final application by Jefferies as above,* the terms and conditions of the Engagement Letter; and it is further,

ORDERED that the Debtor's indemnification, contribution and expense reimbursement obligations set forth in the Engagement Letter and in Schedule A attached thereto, (a) shall survive, remain operative and in full force and effect and shall not be subject to any discharge of the Debtor under 11 U.S.C. § 1141 or the provisions of 11 U.S.C. § 524(a)(1) and (2) and § 524(c), and any plan and order confirming any plan in the Chapter 11 case shall provide for such survival, continued enforceability and waiver of

discharge, and (b) shall survive, remain operative and in full force and effect notwithstanding the dismissal or conversion of this case.

SIGNED this 4th day of April, 2001.



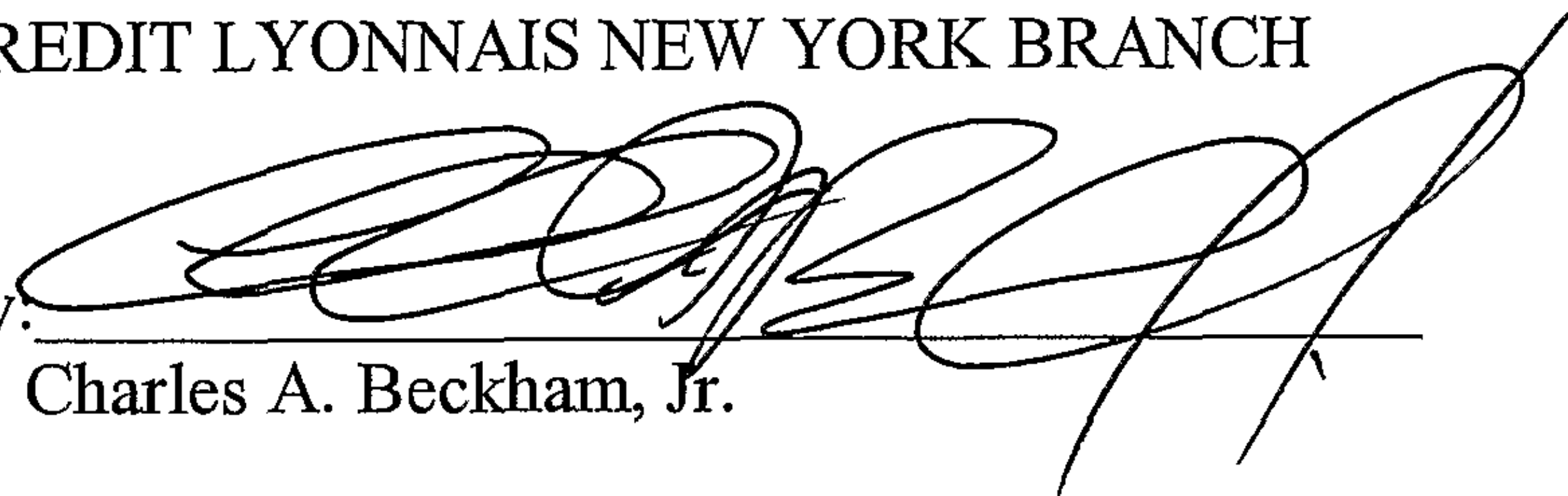
HONORABLE WILLIAM R. GREENDYKE
UNITED STATES BANKRUPTCY JUDGE

APPROVED AS TO FORM:

TRI-UNION DEVELOPMENT CORPORATION

By: 
Joel P. Kay

CREDIT LYONNAIS NEW YORK BRANCH

By: 
Charles A. Beckham, Jr.

CREDITORS' COMMITTEE

By: 
Phil Snow

TRIBO PETROLEUM CORPORATION

By: 
Rhett Campbell

Jefferies & Company, Inc.

650 California Street, 29th Floor
San Francisco, California 94108
Telephone (415) 229-1400 Facsimile (415) 229-1444

March 23, 2001

TRI-UNION DEVELOPMENT CORPORATION

2801 Post Oak Boulevard, Suite 400
Houston, Texas 77056

Attention: Richard Bowman

Dear Richard:

1. Retention. This letter agreement (the "Agreement") confirms that TRI-UNION DEVELOPMENT CORPORATION (the "Company"), a Texas corporation, has engaged Jefferies & Company, Inc. ("Jefferies") to act as exclusive financial advisor to and sole placement agent for the Company in connection with the structuring, issuance and sale (the "Transaction") of up to \$130,000,000 of Notes (the "Notes"). The issuance and sale of the Notes will be to facilitate exit financing from the Company's Chapter 11 Case (hereinafter defined), and accordingly the amount of Notes to be sold shall be solely within the discretion of the Company to achieve such purpose, subject to the foregoing limit. During the term of the Agreement, the Company agrees that it will not, directly or indirectly, offer any of the Notes or any similar debt securities for sale to, or solicit any offer to purchase any of the same from, or otherwise contact, approach or negotiate with respect thereto with any person or persons, other than through Jefferies as agent.

2. Information on the Company. In connection with Jefferies' activities hereunder, the Company will furnish Jefferies and its counsel with all material and information regarding the business and financial condition of the Company (all such information so furnished being the "Information") and with a private placement memorandum with respect to the Company and the Notes (such memorandum, including all exhibits or supplements thereto, the "Offering Materials"). The Company recognizes and confirms that Jefferies: (a) will use and rely solely on the Information, the Offering Materials and on information available from generally recognized public sources in performing the services contemplated by this Agreement without having independently verified the same; (b) is authorized as the Company's exclusive financial advisor and sole placement agent to transmit to any prospective purchaser of the Notes a copy or copies of the Offering Materials, and the forms of purchase agreements and other legal documentation necessary or advisable in connection with the transactions contemplated hereby; (c) does not assume responsibility for the accuracy or completeness of the Information or Offering Materials; (d) will not make an appraisal of any assets or liabilities of the Company; and (e) retains the right to continue to perform due diligence on the Company during the course of the engagement.

TRI-UNION DEVELOPMENT CORPORATION, INC.

March 23, 2001

Page 2

3. **Company Status.** Jefferies acknowledges that the Company is currently operating as a debtor in possession in a case under Chapter 11 of the Bankruptcy Code, pending as Case Number 00-32498-H4-11 in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Chapter 11 Case").

4. **Use of Name.** Except as is otherwise required in the Chapter 11 Case, any reference to Jefferies in any release, communication, or other material is subject to Jefferies' prior written approval, which may be given or withheld in its sole discretion. If Jefferies resigns prior to the dissemination of any such release, communication or material, no reference shall be made therein to Jefferies, despite any prior written approval that may have been given therefor.

5. **Use of Advice.** Except as is otherwise required in the Chapter 11 Case, no statements made or advice rendered by Jefferies in connection with the services performed by Jefferies pursuant to this Agreement will be quoted by, nor will any such statements or advice be referred to, in any report, document, release or other communication, whether written or oral, prepared, issued or transmitted by, the Company or any person or corporation controlling, controlled by or under common control with, the Company or any director, officer, employee, agent or representative of any such person, without the prior written authorization of Jefferies, which may be given or withheld in its sole discretion, except to the extent required by law (in which case the appropriate party shall so advise Jefferies in writing prior to such use and shall consult with Jefferies with respect to the form and timing of disclosure).

6. **Compensation.** In payment for services rendered and to be rendered hereunder by Jefferies, the Company agrees, subject to the approval of the Bankruptcy Court in the Chapter 11 Case in accordance with 11 U.S.C. 328(a) as provided in Section 21 below, to pay to Jefferies as follows:

(a) Upon consummation of the placement of the Notes, the Company shall pay to Jefferies in cash a fee in an amount that is equal to 3.75% of the aggregate principal amount of the Notes placed or such greater amount as the Company and Jefferies agree upon at placement.

(b) In addition to the compensation to be paid to Jefferies as provided in Section 6(a) hereof, without regard to whether any Transaction is consummated or this Agreement expires or is terminated, the Company shall pay to, or on behalf of, Jefferies, promptly as billed, all fees, disbursements and out-of-pocket expenses incurred by Jefferies in connection with its services to be rendered hereunder (including, without limitation, the fees and disbursements of Jefferies' counsel, travel and lodging expenses, word processing charges, messenger and duplicating services, facsimile expenses and other customary expenditures). To facilitate prompt payment of all such fees, disbursements and out-of-pocket expenses under this Section 6(b), the Company shall deposit the sum of \$100,000 with Jefferies (the "Cost Deposit"). Jefferies and its counsel may draw from and apply the Cost Deposit contemporaneously with delivery to the Company of a detailed statement of charges to be paid from the Cost Deposit. Upon request of Jefferies, the Company shall deposit additional sums with Jefferies so that the

TRI-UNION DEVELOPMENT CORPORATION, INC.

March 23, 2001

Page 3

Cost Deposit shall at all times remain at \$100,000. After payment of all amounts to Jefferies and its counsel which have accrued and become payable pursuant to this Section 6(b) hereof, Jefferies shall refund any sums remaining in the Cost Deposit to the Company.

(c) Jefferies may resign at any time and the Company may terminate Jefferies' services at any time, each by giving prior written notice to the other. If Jefferies resigns or the Company terminates Jefferies' services for any reason, Jefferies and its counsel shall be entitled to receive all of the amounts which have accrued and become payable pursuant to Sections 6(a) and 6(b) hereof up to and including the effective date of such termination or resignation, as the case may be. If Jefferies' services hereunder are terminated by the Company or this Agreement expires, and the Company completes a transaction substantially similar to the Transaction contemplated herein within six months of such termination or expiration, then the Company shall pay Jefferies concurrently with the closing of such transaction in cash the fees as outlined in Section 6(a).

(d) No fee paid or payable to Jefferies or any of its affiliates shall be credited against any other fee paid or payable to Jefferies or any of its affiliates.

7. Representations and Warranties. The Company represents and warrants to Jefferies that (a) subject to Bankruptcy Court approval in the Chapter 11 Case, this Agreement has been duly authorized, executed and delivered by the Company; and, assuming the due execution by Jefferies, constitutes a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, and (b) the Information and the Offering Materials will not, when delivered nor at the closing of the sale of the Notes, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company shall advise Jefferies promptly of the occurrence of any event or any other change prior to the closing which results in the Information or the Offering Materials containing any untrue statement of a material fact or omitting to state any material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

8. Indemnity; Limitation of Liability. In partial consideration of the services to be rendered hereunder the Company shall indemnify Jefferies and certain other Indemnified Persons (as defined in Schedule A hereto) in accordance with Schedule A attached hereto. The Company shall not and shall cause its affiliates and their respective directors, officers, employees, shareholders and agents not to, initiate any action or proceeding against Jefferies or any other Indemnified Person in connection with this engagement or the Transaction unless such action or proceeding is based solely upon the bad faith or gross negligence of Jefferies or any such Indemnified Person. The parties hereto agree that Jefferies and the Indemnified Persons shall not, and shall not be deemed to, owe any fiduciary duties to the Company under this agreement or otherwise.

9. Conditions of Placement. It is understood that the execution of this Agreement shall not be deemed or construed as obligating Jefferies to purchase any of the Notes and there is

TRI-UNION DEVELOPMENT CORPORATION, INC.

March 23, 2001

Page 4

no obligation on the part of Jefferies to place the Notes. Jefferies' services to be performed hereunder are subject to certain conditions, including, among others, (i) approval of Jefferies' Underwriting Assistance Committee, (ii) satisfactory completion of due diligence on the Company by Jefferies, (iii) the form and terms of the Notes being mutually acceptable to the Company, Jefferies and prospective purchasers of the Notes, (iv) market conditions, and (v) no material adverse change in the condition of the Company.

10. Survival of Certain Provisions. The indemnity and contribution agreements contained in Schedule A to this Agreement and the provisions of Sections 2, 4, 5, 6, 7, 8, 15 and 16 of this Agreement and this Section 10 shall remain operative and in full force and effect regardless of (a) any investigation made by or on behalf of Jefferies, or by or on behalf of any affiliate of Jefferies or any person controlling either, (b) completion of the sale of the Notes, (c) the resignation of Jefferies or any termination of Jefferies' services or (d) any amendment, expiration or termination of this Agreement, and shall be binding upon, and shall inure to the benefit of, any successors, assigns, heirs and personal representatives of the Company, Jefferies, and the Indemnified Persons.

11. Notices. Notice given pursuant to any of the provisions of this Agreement shall be in writing and shall be mailed or delivered (a) if to the Company, at the address set forth above, and (b) if to Jefferies, at the offices of Jefferies at 11100 Santa Monica Boulevard, Suite 1000, Los Angeles, California 90025, Attention: Jerry M. Gluck, Executive Vice President and General Counsel.

12. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

13. Assignment. This Agreement may not be assigned by either party hereto without the prior written consent of the other, to be given in the sole discretion of the party from whom such consent is being requested. Any attempted assignment of this Agreement made without such consent may be void, at the option of the non-assigning party.

14. Third Party Beneficiaries. This Agreement has been and is made solely for the benefit of the Company, Jefferies and the other Indemnified Persons referred to in Schedule A hereof and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement.

15. Construction and Choice of Law. This Agreement, together with Schedule A attached hereto, incorporates the entire understanding of the parties and supersedes all previous agreements relating to the subject matter hereof should they exist. This Agreement and any issue arising out of or relating to the parties' relationship hereunder shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to principles of conflicts of law.

TRI-UNION DEVELOPMENT CORPORATION, INC.

March 23, 2001

Page 5

16. Dispute Resolution. Any dispute or controversy arising under this Agreement shall be determined by the Bankruptcy Court in the Chapter 11 Case. Following consummation of a plan and/or the dismissal of the Chapter 11 Case, each party hereto consents specifically to the exclusive jurisdiction of the federal courts of the United States sitting in the Southern District of New York, or if such federal court declines to exercise jurisdiction over any action filed pursuant to this Agreement, the courts of the State of New York sitting in the County of New York, and any court to which an appeal may be taken in connection with any action filed pursuant to this Agreement, for the purposes of all legal proceedings arising out of or relating to this Agreement. In connection with the foregoing consent, each party irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the court's exercise of personal jurisdiction over each party to this Agreement or the laying of venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. Each party further irrevocably waives its right to a trial by jury and consents that service of process may be effected in any manner permitted under the laws of the State of New York.

17. Headings. The section headings in this Agreement have been inserted as a matter of convenience of reference and are not part of this Agreement.

18. Press Announcements. At any time after the consummation or other public announcement of the sale of the Notes, Jefferies may place a "tombstone" announcement in such newspapers and publications as it may choose at its own expense, stating that Jefferies has acted as exclusive financial advisor and sole placement agent to the Company in connection with the Transaction.

19. Amendment. This Agreement may not be modified or amended except in a writing duly executed by the parties hereto.

20. Term. Except as provided herein, this Agreement shall run from the date of this letter to a date of one year thereafter, unless extended by mutual consent of the parties (the "Term").

21. Bankruptcy Court Approval. The Company shall use its best efforts to obtain prompt authorization of the retention of Jefferies pursuant to 11 U.S.C. §§ 327 and 328(a) on the terms and conditions of this Agreement. The order of the Bankruptcy Court (the "Approval Order") shall be acceptable to Jefferies in its sole discretion. The Approval Order shall provide, *intra alia*, that (a) all amounts payable to Jefferies or its counsel hereunder shall be paid without the need to file an application for compensation or reimbursement of expenses in accordance with 11 U.S.C. § 330 and (b) the Company's indemnification, contribution, and reimbursement obligations under this Agreement and Schedule A hereto (i) shall survive and shall not be subject to discharge of the Company under 11 U.S.C. section 1141 or the provisions of 11 U.S.C. section 524 (a)(1) and any plan and order confirming a plan in the Chapter 11 Case shall provide for such survival, continued enforceability and waiver of discharge and (ii) shall survive, remain operative and in full force and effect notwithstanding dismissal or conversion of the Chapter 11 Case.

TRI-UNION DEVELOPMENT CORPORATION, INC.

March 23, 2001

Page 6

Please sign and return an original and one copy of this letter to the undersigned to indicate your acceptance of the terms set forth herein, whereupon this letter and your acceptance shall constitute a binding agreement between the Company and Jefferies as of the date first above written.

Sincerely,

JEFFERIES & COMPANY, INC.

By


Joseph F. Maly
Managing Director

Accepted and Agreed:

TRI-UNION DEVELOPMENT CORPORATION

By

Richard Bowman
President

SCHEDULE A

March 23, 2001

JEFFERIES & COMPANY, INC.
11100 Santa Monica Boulevard, 10th Floor
Los Angeles, CA 90025

Ladies and Gentlemen:

This letter agreement is entered into pursuant to, and in order to induce Jefferies & Company, Inc. ("Jefferies" or the "Placement Agent") to enter into, the engagement letter, dated of even date herewith (as amended from time to time in accordance with the terms thereof, the "Agreement"), between TRI-UNION DEVELOPMENT CORPORATION (the "Company"), a Texas corporation, and Jefferies. Unless otherwise noted, all capitalized terms used herein shall have the meanings set forth in the Agreement.

Since Jefferies will be acting on behalf of the Company in connection with the transactions contemplated by the Agreement, and as part of the consideration for the agreement of Jefferies to furnish its services pursuant to such Agreement, the Company agrees to indemnify and hold harmless Jefferies and its affiliates and their respective officers, directors, partners, counsel, employees and agents, and any other persons controlling Jefferies or any of its affiliates within the meaning of either Section 15 of the Securities Act of 1933 or Section 20 of the Securities Exchange Act of 1934, and the respective agents, employees, officers, directors, partners, counsel and shareholders of such persons (Jefferies and each such other person being referred to as an "Indemnified Person"), to the fullest extent lawful, from and against all claims, liabilities, losses, damages and expenses (or actions in respect thereof), as incurred, related to or arising out of or in connection with (i) actions taken or omitted to be taken by the Company, its affiliates, employees or agents, (ii) actions taken or omitted to be taken by any Indemnified Person (including acts or omissions constituting ordinary negligence) pursuant to the terms of, or in connection with services rendered pursuant to, the Agreement or any Transaction or proposed transaction contemplated thereby or any Indemnified Person's role in connection therewith, provided, however, that the Company shall not be responsible for any losses, claims, damages, liabilities or expenses of any Indemnified Person to the extent, and only to the extent, that it is finally judicially determined that they result solely from actions taken or omitted to be taken by such Indemnified Person in bad faith or are due solely to such Indemnified Person's gross negligence, and/or (iii) any untrue statement or alleged untrue statement of a material fact contained in any of the Information, the Offering Materials, or in any amendment or supplement thereto, or arising out of or based upon any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading.

JEFFERIES & COMPANY, INC.

March 23, 2001

Page 2

The Company shall not settle or compromise or consent to the entry of any judgment in or otherwise seek to terminate any pending or threatened action, claim, suit or proceeding in which any Indemnified Person is or could be a party and as to which indemnification or contribution could have been sought by such Indemnified Person hereunder (whether or not such Indemnified Person is a party thereto), unless such Indemnified Person has given its prior written consent or the settlement, compromise, consent or termination includes an express unconditional release of such Indemnified Person, reasonably satisfactory in form and substance to such Indemnified Person, from all losses, claims, damages or liabilities arising out of such action, claim, suit or proceeding.

If for any reason (other than the bad faith or gross negligence of an Indemnified Person as provided above) the foregoing indemnity is unavailable to an Indemnified Person or insufficient to hold an Indemnified Person harmless, then the Company, to the fullest extent permitted by law, shall contribute to the amount paid or payable by such Indemnified Person as a result of such claims, liabilities, losses, damages or expenses in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and by Jefferies on the other, from the Transaction or proposed transaction under the Agreement or, if allocation on that basis is not permitted under applicable law, in such proportion as is appropriate to reflect not only the relative benefits received by the Company on the one hand and Jefferies on the other, but also the relative fault of the Company and Jefferies, as well as any relevant equitable considerations. Notwithstanding the provisions hereof, the aggregate contribution of all Indemnified Persons to all claims, liabilities, losses, damages and expenses shall not exceed the amount of fees actually received by Jefferies pursuant to the Agreement with respect to the Transaction. It is hereby further agreed that the relative benefits to the Company on the one hand and Jefferies on the other with respect to any Transaction or proposed transaction contemplated by the Agreement shall be deemed to be in the same proportion as (i) the total value of the Transaction bears to (ii) the fees paid to Jefferies with respect to such Transaction. The relative fault of the Company on the one hand and Jefferies on the other with respect to the Transaction shall be determined by reference to, among other things, whether any untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by Jefferies and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

No Indemnified Person shall have any liability to the Company or any other officer, director, employee or affiliate thereof in connection with the services rendered pursuant to the Agreement except for any liability for claims, liabilities, losses or damages finally judicially determined to have resulted solely from actions taken or omitted to be taken by such Indemnified Person in bad faith or solely as a result of such Indemnified Person's gross negligence.

In addition, the Company agrees to reimburse the Indemnified Persons for all expenses (including, without limitation, fees and expenses of counsel) as they are reasonably incurred in connection with investigating, preparing, defending or settling any such action or claim, whether or not in connection with litigation in which any Indemnified Person is a named party. If any of

JEFFERIES & COMPANY, INC.

March 23, 2001

Page 3

Jefferies' personnel appears as witnesses, are deposed or are otherwise involved in the defense of any action against Jefferies (other than by the Company), the Company or the Company officers or directors, the Company will pay Jefferies (i) with respect to each day that one of Jefferies' professional personnel appears as a witness or is deposed and/or (ii) with respect to each day that one of Jefferies' professional personnel is involved in the preparation therefor, (a) a fee of \$2,000 per day (or the pro-rated portion thereof if less than a full 8 hours) for each such person with respect to each appearance as a witness or for a deposition and (b) at a rate of \$200 per hour with respect to each hour of preparation for any such appearance and the Company will reimburse Jefferies for all reasonable out of pocket expenses incurred by Jefferies by reason of any of its personnel being involved in any such action.

The indemnity, contribution and expense reimbursement obligations set forth herein (i) shall be in addition to any liability the Company may have to any Indemnified Person at common law or otherwise, (ii) shall survive the expiration of the Term, (iii) shall apply to any modification of Jefferies' engagement and shall remain in full force and effect following the completion or termination of the Agreement, (iv) shall remain operative and in full force and effect regardless of any investigation made by or on behalf of Jefferies or any other Indemnified Person, (v) shall survive, remain operative and in full effect and shall not be subject to discharge of the Company under 11 U.S.C. section 1141 or the provisions of 11 U.S.C. section 524 (a)(1) and any plan in the Chapter 11 Case shall provide for such survival, continued enforceability and waiver of discharge, (vi) shall survive, remain operative and in full force and effect notwithstanding the dismissal or conversion of the Chapter 11 Case and (vii) shall be binding on any successor or assign of the Company and successors or assigns to all or substantially all of the Company's business and assets.

JEFFERIES & COMPANY, INC.

March 23, 2001

Page 4

Please sign and return an original and one copy of this letter to the undersigned to indicate your acceptance of the terms set forth herein, whereupon this letter and your acceptance shall constitute a binding agreement between the Company and Jefferies as of the date of the Agreement.

Sincerely,

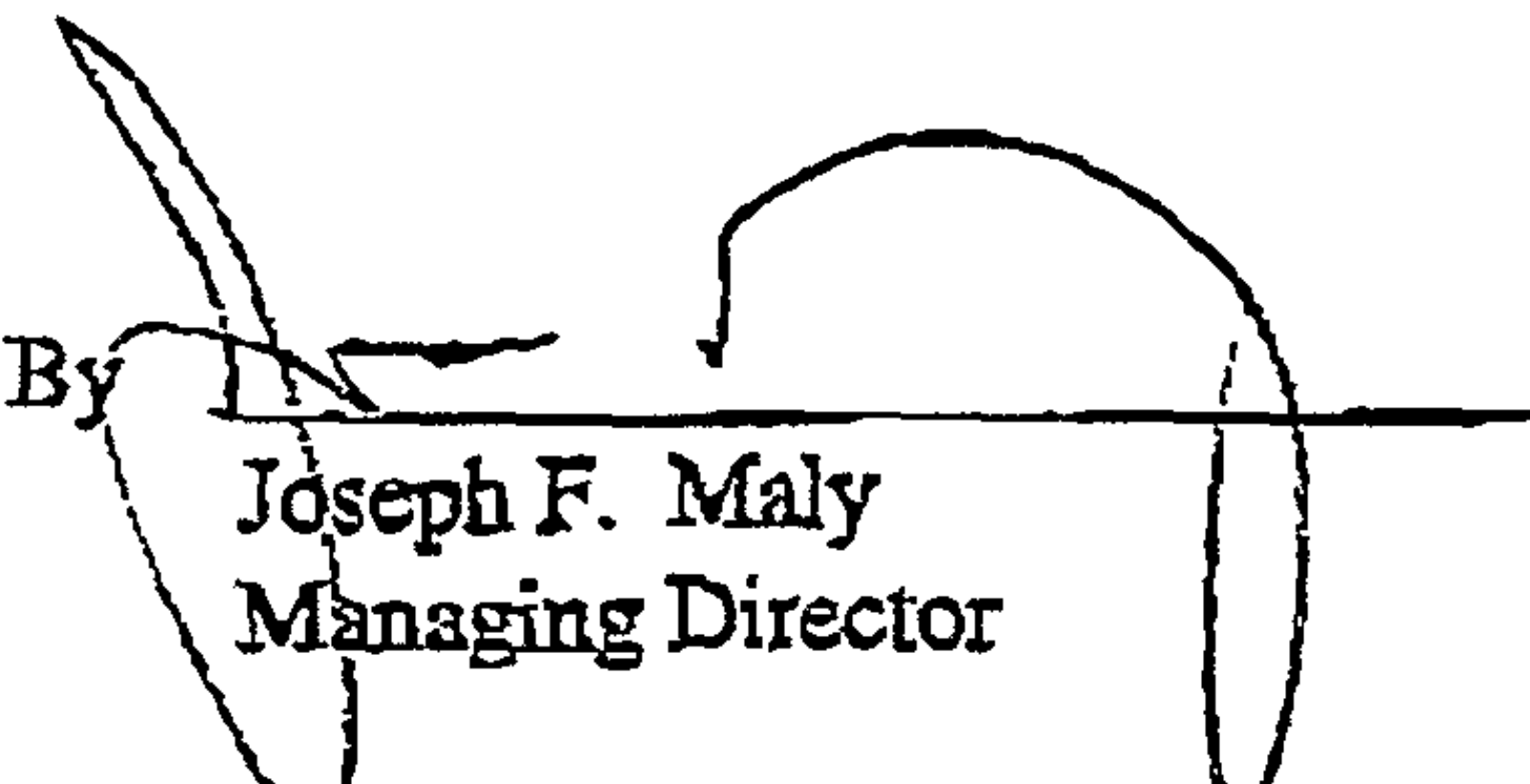
TRI-UNION DEVELOPMENT CORPORATION

By

Richard Bowman
President

Accepted and Agreed:

JEFFERIES & COMPANY, INC.

By  _____
Joseph F. Maly
Managing Director